



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 9, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **DEPARTMENT OF COMMUNITY AND SENIOR SERVICES – FISCAL  
MONITORING OF DOMESTIC VIOLENCE PROGRAM SERVICE  
PROVIDERS FOR FISCAL YEAR 2006-07**

The Department of Community and Senior Services (CSS) contracts with community-based, non-profit organizations (service providers) to provide Domestic Violence (DV) program services. DV program services include case management, counseling, shelter and legal advice to victims of domestic violence.

CSS' DV contracts are fee-for-service agreements, under which providers are paid a set fee for each unit of service they provide. The DV contracts also require that, if a provider's actual costs are less than the total amount paid to the provider, the provider must get approval from CSS to use the excess earnings to provide DV services, or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accountant firm, Simpson & Simpson, to conduct fiscal monitoring of the 41 DV service providers that had contracts with CSS during fiscal year (FY) 2006-07. These service providers were located in all five of the supervisorial districts. CSS paid approximately \$12.1 million to the DV service providers during the year.

The fiscal monitoring was done in two phases. During Phase I, Simpson & Simpson made on-site visits to the providers. The monitoring covered the contract period from July 1, 2006 through June 30, 2007. During Phase II, Simpson & Simpson followed up on the findings and recommendations from the Phase I reports.

### **Review Summary**

Attachment 1 summarizes the findings for each service provider. Simpson & Simpson identified \$428,591 in findings, primarily related to improperly allocated costs, unsupported expenditures, improperly recorded revenues and expenditures, and excess earnings. If these findings are not resolved, the service providers may need to adjust their revenues and/or expenditures, which could result in excess earnings. As noted earlier, if providers have excess earnings, the funds must either be used to provide DV services or be returned to CSS. During the fiscal monitoring for FY 2007-08, Simpson & Simpson will determine if any of the providers had excess earnings for FY 2006-07.

Simpson & Simpson prepared a management letter (Attachment 2) for the monitoring they completed. It recommends that CSS provide technical assistance to the service providers to ensure the service providers: (1) have an adequate understanding of cost principles established by the Office of Management and Budget (OMB), and (2) are applying the cost principles established by the OMB in their accounting of grant expenditures.

### **Review of Report**

Simpson & Simpson discussed each report with CSS and the appropriate service provider. CSS indicated that they will work with the service providers to resolve all of Simpson & Simpson's findings by June 30, 2009. In addition, CSS indicated they conducted cost allocation training for all service providers in May 2008, and will continue to provide ongoing technical assistance to the service providers. Attachment 3 is CSS' response and action plan to address Simpson & Simpson's recommendations.

Because of the number of service providers, copies of individual reports are not enclosed but are available for your review. Please call me if you have any questions, or your staff may call Terri Kasman at (213) 253-0103 if you wish to review any reports.

WLW:MMO:JLS:TK

#### **Attachments**

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Community and Senior Services  
Sachi A. Hamai, Executive Officer  
Public Information Office  
Audit Committee

Department of Community and Senior Services  
Fiscal Monitoring of Domestic Violence Service Providers  
Fiscal Year 2006-07

Attachment 1

		Dollar Findings - See Code Summary at bottom of Page 2									
	Service Provider	Contract Amount	Number of Recommendations	Number of Recommendations Implemented	A	B	C	D	E	F	Total
1	1736 Family Crisis Center	\$999,165	4	0	(1)						(1)
2	Akila Concepts, Inc./Charlotte House	\$1115,560	5	(2)	\$3,698 (1)	\$5,847					\$9,545 (1)
3	Antelope Valley Domestic Violence Council	\$449,400	3	1		(1)					(1)
4	Asian Pacific American Legal Center (APALC)	\$142,665	3	2	(1)		\$9,333				\$9,333 (1)
5	Bienvenidos Children's Center, Inc.	\$179,413	4	1	(1)	\$25,007			\$15,761		\$40,768 (1)
6	Cambodian Association of America	\$85,600	1	1		\$3,600					\$3,600
7	Center for Pacific Asian Family (CPAF)	\$140,000	1	1			\$750				\$750
8	Chicana Service Action Center, Inc.	\$895,237	1	0	(1)						(1)
9	Children's Institute International	\$155,150	0	0							
10	Community Counseling Service (Amanecer)	\$313,885	2	0	(1)			\$766			\$766 (1)
11	Community Legal Services	\$541,386	3	3		\$1,094					\$1,094
12	Domestic Abuse Center	\$88,000	4	2			(1)		(1)		(1)
13	East Los Angeles Women's Center	\$165,797	5	0	\$4,681		\$171	\$694			\$5,546
14	Foothill Family Services	\$327,420	1	1	\$700						\$700
15	Harriet Buhai Center for Family Law	\$235,400	3	2		(1)	\$35,167				\$35,167 (1)
16	Haven Hills, Inc.	\$93,216	4	0	(1)	(1)			(1)		(1)
17	Helpline Youth Counseling, Inc.	\$149,800	3	3	(1)	\$1,902					\$1,902 (1)
18	House of Ruth, Inc.	\$298,530	1	0							
19	Human Services Association	\$358,805	1	0	\$6,237						\$6,237
20	Institute for Multicultural Educational Services	\$439,576	0	0							
21	Interval House	\$133,215	0	0							
22	Jenesse Center, Inc.	\$526,115	3	1	\$157 (1)	\$869					\$1,026 (1)
23	Jewish Family Services of Los Angeles	\$154,000	0	0							
24	Legal Aid Foundation of Los Angeles (LAFLA)	\$659,832	3	1	(1)				\$66,462		\$66,462 (1)
25	Los Angeles Center for Law and Justice	\$392,156	3	2		\$1,572			\$915		\$2,487
26	National Council on Alcohol and Drug Dependency - Long Beach (NCADD)	\$299,600	5	3	\$14,280	\$3,700					\$17,980
27	Neighborhood Legal Services of Los Angeles County - NLS	\$492,200	0	0							

Department of Community and Senior Services  
Fiscal Monitoring of Domestic Violence Service Providers  
Fiscal Year 2006-07

Attachment 1

		Dollar Findings - See Code Summary at bottom of Page 2									
	Service Provider	Contract Amount	Number of Recommendations	Number of Recommendations Implemented	A	B	C	D	E	F	Total
28	Ocean Park Community Center (OPCC) - Sojourn	\$80,000	0	0							
29	Peace & Joy Care Center	\$454,199	2	1						(1)	(1)
30	Project Peacemakers, Inc.	\$303,015	5	2	\$519 (1)	\$34	(1)		\$1,460		\$2,013 (1)
31	Prototypes	\$705,945	10	3	\$58,313 (1)	\$4,999 (1)		\$272	\$72,112		\$135,696 (1)
32	Rainbow Services, Ltd.	\$180,000	1	1	\$179						\$179
33	San Fernando Valley Community Mental Health Center, Inc.	\$198,000	0	0							
34	San Pedro Community Legal Services	\$153,010	9	(2)	\$506	\$1,308 (1)		\$7,005			\$8,819 (1)
35	Santa Anita Family Service	\$270,600	8	4	\$1,459	\$124 (1)			\$51,227		\$52,810 (1)
36	Southern California Alcohol & Drug Programs, Inc./Angel Step Inn	\$174,765	1	0			\$203				\$203
37	Su Casa Family Crisis and Support Center	\$103,362	1	0	(1)						(1)
38	Women's & Children's Crisis Center (WCCS)	\$230,000	1	0	(1)						(1)
39	Women's Shelter of Long Beach	\$460,939	1	0	(1)						(1)
40	YWCA of Glendale Domestic Violence Project	\$361,306	5	2	(1)		\$43				\$43 (1)
41	YWCA of San Gabriel Valley/Women In Need Growing Strong (WINGS)	\$381,200	6	1	\$587 (1)	\$3,696 (1)	\$21,182				\$25,465 (1)
Total		\$12,887,464	113	38	\$91,316	\$53,752	\$66,849	\$8,737	\$207,937	\$0	\$428,591

**Code Summary**

- A** No documentation to support the cost allocation method or expenses were improperly allocated to the program  
**B** Expenditures charged to program or units billed are not supported with documentation  
**C** Program expenditures or revenues are not recorded or are inappropriately recorded on service provider's accounting records  
**D** Unallowable costs charged to the program  
**E** Excess earnings that need to be returned to CSS or CSS approval required to use excess earnings for DV program  
**F** Service Provider's solvency is in question

**Footnotes:**

- (1) Monitor was not able to determine the dollar value of one or more findings in this category  
(2) Service Provider closed, Phase II was not conducted





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
CARL P. SIMPSON, CPA

## Attachment 2

3600 WILSHIRE BOULEVARD, SUITE 1710  
LOS ANGELES, CA 90010  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

Ms. Wendy L. Watanabe  
Acting Auditor-Controller  
Department of Auditor-Controller  
500 W. Temple St. Room 525  
Los Angeles, CA 90012

Dear Ms. Watanabe:

In planning and performing the **2006-2007 Department of Community and Senior Services Domestic Violence (DV) Programs Fiscal Monitoring**, we noted certain matters involving the Department of Community and Senior Services' (CSS) internal control structure relating to their contracted agencies' accounting and contract administration that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report DV grant expenditures reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's grant expenditures that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the grant expenditure or a type of compliance requirement of the DV program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, during our monitoring review, we became aware of a matter that is an opportunity for strengthening the internal controls and operating efficiency as described in the accompanying Exhibit I.



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The scope of our engagement was limited to monitoring DV service providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read 'Simpson : Simpson'. The signature is written in a cursive, flowing style.

Los Angeles, California  
September 30, 2008

## **SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS**

### **Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers**

#### ***Condition***

During our monitoring visits to service providers, we noted twelve (12) service providers have the following repeated findings from prior years:

- 12 service providers are inappropriately charging indirect or shared costs to the DV programs.
- Required documentation for the charged costs is not properly maintained by 1 of the 12 service providers.

#### ***Recommendation***

Since the service providers had not implemented the current year recommended corrective actions, the findings were not closed as of our issuance of the FY 06-07 follow-up reports. The above indicated findings were also reported in the previous years' monitoring reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget fiscal policies (OMB) and the contract. We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that the service providers have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.



CYNTHIA D. BANKS  
Director

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**COMMUNITY AND SENIOR SERVICES  
OF LOS ANGELES COUNTY**

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Attachment 3  
BOARD OF SUPERVISORS

GLORIA MOLINA  
MARK RIDLEY-THOMAS  
ZEV YAROSLAVSKY  
DON KNABE  
MICHAEL D. ANTONOVICH

October 20, 2008

**AMENDED**  
Changed Page 1, first bullet,  
from AAA programs to DV programs

To: Wendy L. Watanabe  
Auditor Controller

From: Cynthia D. Banks  
Director

Subject: **FY 2006-07 CSS' DOMESTIC VIOLENCE SERVICES PROGRAM  
MANAGEMENT LETTER RESPONSE**

The following is Community and Senior Services (CSS) response to Simpson & Simpson's (S & S) Certified Public Accountants letter dated September 30, 2008 audit review for Fiscal Year (FY) 2006-07 Domestic Violence Program contract service providers.

**Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers**

During our monitoring visits to service providers, we noted twelve (12) service providers have the following repeated findings from prior years:

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- Required documentation for the charged costs is not properly maintained by 1 of the 12 service providers.

**Recommendation**

Since the service providers had not implemented the recommended corrective actions, the findings were not closed as of our issuance of the FY 2006-07 follow-up reports. The above indicated findings were also reported in the previous years' monitoring reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget (OMB) fiscal policies and the contract. We recommend that CSS continuously work with the service providers and provide technical assistance, if necessary, to:



- Ascertain that the service providers have an adequate understanding of the cost principles established by the OMB that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the OMB, in their accounting of grant expenditures.

**CSS Response**

We agree with this recommendation. CSS created Cost Allocation Plan templates and provided general Cost Allocation and template training to all service providers in April 2008.

Implementing this recommendation will strengthen the department's contract operations for the Domestic Violence programs. CSS will continue to work closely with our service providers, Simpson and Simpson, and the Auditor Controller's Office to correct any shortcomings through ongoing technical assistance to aid service providers to better understand contractual fiscal requirements.

Should you have any questions, please contact Jackie Lynn Sakane, Program Manager, Contracts Compliance Division at (213) 739-7321.

CDB:OS:  
MQ:jl

Attachment

c: Simpson & Simpson, CPA